SYNOPSIS of the proposed Ph.D work

On

CORPORATE SOCIAL RESPONSIBILITY IN INDIAN BANKING SECTOR – A COMPARATIVE STUDY OF PUBLIC AND PRIVATE SECTOR BANKS

Submitted to

Sri Ramananda Theertha Maratwada University, Nanded

Submitted By

M. Srinivas Reddy
Asst. Prof., Dept of Commerce
SRR Govt.Arts&Science College Karimnagar
Telangana State.

Mobile: 9989170630 **E-mail: malathisriunu@gmail.com**

Under the guidance of

Prof. Jayant V. Joshi
School of Commerce & Management Sciences
SRTMUN, Nanded, M.H

CORPORATE SOCIAL RESPONSIBILITY IN INDIAN BANKING SECTOR – A COMPARATIVE STUDY OF PUBLIC AND PRIVATE SECTOR BANKS

INTORDUCTION

Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. The word "responsibility" emphasizes that the business has some moral obligations towards the society. CSR, also known as Sustainable Responsible Business (SRB), or Corporate Social Performance, is a form of corporate self regulation integrated into a business model.

Industrialization and commercialization of service sector have explored vivid avenues of progress to a nation but at the flip side it has rooted the use of non-renewable energy sources, global warming, greenhouse gas mission and rising levels of waste which have harmful effects to the generation coming next. The growing concerns for sustainable development, environmental performance, encompassing pollution control and management of natural resources has given mass recognition to the concept of Corporate Social Responsibility (CSR).

The integration of CSR principles in operating activities of business is very much essential to ensure sustainable development of an economy. In the financial sector several international initiatives like United Nations Environment Programme Finance Initiative, Global Reporting Initiative, Equator Principles and Collavecchio Declaration on Financial Institutions are underway to ensure the adoption of CSR practices in normal business operations. These initiatives have favorably tuned up developed countries to behave in a socially responsible way. But in developing nations, there is a lack of focused and effective actions to the current need. In addition to this a very limited research work has been done to investigate the CSR practices in developing and emerging nations. In fact the academic publication on this fiery issue is primarily western centric. Belal (2001) noted that most of the CSR studies conducted so far were in the context of developed

countries such as Western Europe, the USA and Australia and we still know too little about practices in smaller and emerging countries.

In recent years, a growing number of companies are adopting various corporate social responsibility (CSR) initiatives - the voluntary incorporation of social and environmental issues into a company's business model and operations (European Commission 2001) – in an attempt to meet the needs and expectations of a range of stakeholders, including but not confined to the company"s shareholders. Meanwhile, numerous information intermediaries have been established to gather and make publicly available information about these CSR initiatives – what is termed as "CSR ratings" or "CSR scores" – thus rating and ranking corporations across several dimensions of environmental, social, and corporate governance performance. Not only information intermediaries, but also a number of voluntary reporting standards have emerged to enable these information intermediaries to standardize the way they disclose their CSR ratings.

COROPRATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility also called Corporate Conscience or Responsible Business is a form of corporate self-regulation integrated into a business model. CSR is defined as the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of law, ethical standards and national or international norms.

The concept of Corporate Social Responsibility is not a new one but its focal point changes with the changing requirements of business and varying social needs. The concept of CSR was first mentioned in 1953 in the publication of "Social responsibilities of businessman" by William J.Bowen. However the term CSR became only popular in the 1990s, When the German Beta pharma generic pharmaceutical company decided to implement CSR. CSR is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is represented by the contributions undertaken by companies to society through its business activities and its social investment. CSR has been making an increasingly prominent impact in the Indian social system by supplementing development projects. But it is not a novel concept in India as its historical roots goes till the Vedic age.

Today Banking Sector growing larger and powerful than before. Various Non-government organizations put pressure on Banks to act responsibly towards their

stakeholders. Thus pressure has given rise to the concept named Corporate Social Responsibility. CSR defined as "the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time." (Carrol and Buchholtz, 2000:35). Exactly what responsibility companies have towards society has been discussed for some decades now.

CSR PRACTICES IN INDIAN BANKING SECTOR

Now-a-days CSR has been assuming greater importance in the corporate world including financial institutions and banking sector. Banks and other financial institutions start promoting environment friendly and socially responsible lending and investment practices. RBI (2007) has also directed Indian banks to undertake CSR initiatives for sustainable development and also asked banks to begin non-financial reporting which is related to activities in the era of environmental, social and economic accounting. It has been observed from karmayog's CSR ratings that most of the Indian public sector banks do not mention recent CSR activities on their annual reports or on the websites. The financial institutions do not take adequate steps for updating the recent activities in CSR .CSR has been assuming greater importance in the corporate world, including the banking sector. To highlight the role of banks in CSR, the RBI circulated a notice on 20th December , 2007 for all the scheduled commercial banks in India. Recently financial institutions adopt an integrated approach between customer satisfaction and CSR in a broader way. RBI also instructs the banks to integrate their business operation along with social and environmental aspects. The major key areas of CSR like, children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women empowerment, protection to girl child etc.,

In recent years an attempt has been initiated to ensure socially responsible behavior of banking sector in a more organized manner. The CSR in Indian Banking Sector is aimed towards addressing the financial inclusion, providing financial services to the unbanked or untapped areas of the country, the socio-economic development of the country by focusing on the activities like, poverty eradication, health and medical care, rural area development, self employment training and financial literacy trainings, infrastructure development, education, and environmental Protection etc. RBI also insisted upon taking measures for sustainable development of economy through realizing the dire necessity of CSR. Reserve Bank of India (2007) stated that CSR entails the integration of

social and environmental concerns by companies in their business operations and also in interactions with their stakeholders. The major thrust areas for CSR practice in Indian banks are common in public sector and private sector banks. These areas include children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women's empowerment, protection to girl child and employment.

REVIEW OF LITERATURE

Austin (2000) gave the concept of collaboration continuum. He explained the development of collaboration between non profits and corporations. According to him, such collaboration begins from a philanthropic stage, where, the nature of the relationship is similar to that of a charitable donor and recipient: and ultimately results in organizational integration, where the equivalency of mutual benefits is fully apprehended by firms. The collaboration continuum hence, provides firms with more reasons to be socially active,. Companies can follow this concept by supporting societal causes, and inspiring other companies in turn.

According to Bert Scholtens(2006), finance relates to the sustainability of economic development and to Corporate Social Responsibility. The three financing modes open the potential to direct the economic activities in a way that takes account of social, ethical and environmental issues.

According to Friedman (2006) "There is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud".

In contrast to Friedman‟s statement, Robbins and Coulter (2007) explained that the management’s social responsibility goes beyond making profit to include protecting and improving social welfare of its stakeholders and the environment in which the firm carries out its operations. They also have the responsibility to the society that allow their formation through various laws and regulations and support them through purchasing their products and services. In today scenario, many baking organization have started to align

their CSR practices with core value, products and services and publishing sustainability reports.

Narwal (2007) made a study to highlight the CSR initiatives taken by the Indian Banking Industry. The findings suggest that banks have an objective view-point about CSR activities. They are concentrating mainly on education, balanced growth (different strata of society), health, environmental marketing and customer satisfaction as their core CSR activities. CSR has emerged as the business issue of the 21st century and has been studied for over 50 years.

Regarding the banking sector Bhatt (2008) stated that banks do not exist in a vacuum. They make a large contribution to the country's GDP growth, meet the demand of the growing middle class, contribute to infrastructure spending and reach out to the semi urban and rural areas.

Sharma (2011) made an attempt to analyze CSR practices and CSR reporting in India with special reference to banking sector and concluded that banking sector in India is showing interest in integrating sustainability into their business models but its CSR reporting practices are far away from satisfaction.

Suman Kalyan Chowdary, Sanjay Kanti Das, PrasannaKumar Sahoo(2011), said in their study that, at present, the world over, there is an increasing awarenes about Corporate Social Responsibility(CSR), Sustainable Development(SD) and Non-Financial Reporting(NFR). The contribution of financial institutions including Banks to sustainable development is paramount, considering the crucial role they play in financing the economic and development activities of the world.

The Reserve Bank of India (RBI) 2011 on stressing the need for CSR, suggested the banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainable development. RBI also pointed out to start non-financial reporting (NFR) by the banks which will cover the work done by the banks towards the social, economic and environmental betterment of society.

Sanjay Kanti Das (2012), in his study presented that development of CSR is very slowly in Inda though it was started a long time ago. In his view CSR has been assuming greater importance in the corporate world, including the Banking Sector. There is a visible trend in the financial sector of promoting environment friendly and socially responsible lending and investment practices. The Govt. of India is pursuing the matter relating to CSR and also drafted guidelines for CSR practives time to time.

Dangi and Kumar (2013) discussed about significance of inclusive financial system and role of RBI towards strong banking infrastructure.

Namratha Sing, Rajlaxmi Srivatsava and Rajani Rastogi(2013), stated that, after the involvement of Reserve Bank of India the CSR becomes the important part of banking sector, but still more regulations and new policies are required to implement the concept of CSR in Indian Banking Sector. They suggested that, Reserve Bank of India should made some criteria to distinguish between the banks conducting CSR practices and those not conducting on the basis of their involvement in social banking and some perventage must be set for spending on CSR activities by all the established banks and a proper monitoring is required by a committee on the working of banks, So that the banks work for their profit alongwith contributing towards the society.

Deepika Dhingra and Rama Mittal (2014), said in their study that, very few banks have a clearly defined CSR philosophy. Most of the banks implement CSR in an ad-hoc manner, unconnected with their business process and don't state how much they spend on CSR activities. Financial institutions can do a lot to assist efforts for social responsibility and achieve sustainability.

Shravya Saxena(2016), stated in her study that, though the Indian Banks are making efforts in CSR areas but still there is a requirement of more emphasis on CSR. There are some banks which are not even meeting the regulatory requirement of priority sector lending and rural branch expansion. Even after the Reserve Bank of India guidelines for financial literacy programs the banks have not taken substantial steps in this direction. The Reserve Bank of India may be more stringent in enforcing such regulatory requirements.

NEED OF THE STUDY

In the light of above review of literature, there is no study on Corporate Social Responsibility performance between Public Sector Banks and Private Sector Banks in general and SBI,BOB and HDFC, ICICI in particular.

From the past studies it has been found that the contribution on Corporate social responsibility by the Indian banks is very less. The new legislation of Indian Companies Act,2013 requires certain class of banks to spend at least 2% of their three year average annual net profit towards CSR activities. In this perspective the following study is undertaken to find out CSR spending of the Indian banks.

This study will help the Banks to adopt more CSR initiatives and improve their spending on CSR practices.

OBJECTIVES OF THE STUDY

1. To study the status of CSR in Indian Banking Sector.
2. To analyze the Corporate Social Responsibility spending and activities in Public Sector Banks.
3. To analyze the Corporate Social Responsibility spending and activities in Private Sector Banks.
4. To compare the CSR spending and initiatives between Public Sector Banks and Private Sector Banks.
5. To explore new scopes and opportunities for CSR activities in Indian Banking Sector.
6. To analyze the perception of Bank Employees and Customers /beneficiaries on CSR spending and activities.

METHODOLOGY OF THE STUDY

Type of Research: The Research design in this study is descriptive as well as analytical type of research. Banks selected for this Study are the major players two from Public Sector and two from Private Sector i.e. SBI, BOB from Public Sector and HDFC, ICICI from Private Sector.

Data Collection: The Data is collected from primary sources through two sets of structured questionnaires from the Bank employees and Customers and secondary sources

particularly from concerned Banks Annual Report, Web sites, newsletters, RBI Reports and data from various journals and magazines and Online resources.

Tools : The simple Statistical tools like Percentage, Average, ANOVA will be adopted for this study. Graphs and Charts will be used for effective presentation of this Study. Software like SPSS and Excel etd., are identified to apply the tools required for the data.

Period of study: The present study covers the span of 05 years i.e., from 2013-14 to 2019-20 and this period is considered adequate to compare between Public and Private Sector Banks of their CSR activity.

Scope of the Study:

Apart from the above objectives the present study will cover CSR practices in Indian Banking Sector and CSR clause mentioned in Indian Companies Act,2013. CSR practices in Indian Banking Sector spending, performance are covered in this research work.

HHYPOTHESIS

H0: There is no significant difference in the CSR spending as a percentage of Profit After Tax of the Public Sector Banks and Private Sector Banks.

H0:There is no significant difference between the CSR activities of Public Sector Banks and Private Sector Banks.

Limitations of the Study:

Though there are number of Public and Private Sector Banks, the present study is limited to two Public Sector Banks and two Private Sector Banks. The present study has covered the period of 7 years from 2013-14 to 2019-20.

Chapterisation Scheme: The study will be divided into the following six chapters:

Chapter – I : Introduction

Chapter – II : CSR spending and initiatives in Indian Banking Sector

Chapter – III : CSR spending and initiatives in Public Sector Banks

Chapter – IV : CSR spending and initiatives in Private Sector Banks

Chapter – V : Comparison of CSR spendings and activities between Public & Private Sector Banks

Chapter—VI : Perception of Bank employees and customers on CSR spending and practices.

Chapter – VI : Conclusions & Suggestions

REFERENCES

1. SK Choudhary, SK Das and PK Sahoo, "Practices of Corporate Social Responsibility (CSR) in Banking Sector in India: An Assessment", Research Journal of Economics Business, Vol.4, pp.76, (2011).

2. Sanjay Kanti Das (2012),"CSR Practices and CSR Reporting in Indian Financial Sector", Jr. of International Journal of Business and Management Tomorrow, Vol.2 (9):1-12.

3. Fried man M (1970) "The Social Responsibility of business is to increase its profit", New York Times magazine, September 13.

4.Jacob M Rose, "Corporate Directors and Social Responsibility: Ethics versus Shareholder value", Journal of Business Ethics, Vol.73, No.3, pp.319-331, July 2007.

5. Austin James E, "The collaboration challenge: ;How nonprofits and businesses succeed through strategic alliances", Jossey-Bass, San Fransisco, pp.2-11(2000).

6. B.Scholtens, "Finance as a driver of CSR" Journal of Business Ethics, Vol.68, No.1, pp19-35, September 2006.

7. Namratha Singh, Rajlaxmi Srivatsava, Rajni Rastogi, "CSR practices and reporting in Indian Banking Sector", International Journal of Scientific Research Publications, Vol.3, Issue12, December 2013.

8. Deepika Dhingra, Rama Mittal, "CSR practices in Indian Banking Sector", Global Journal of Finance and Management, Vol.6, pp.853-862, Novermber 2014.

9. Shravya Saxena, " A Comparative study of CSR of Public and Private sector Banks", WWJMRD, Vol.2, pp.21-23, (2016).

10. Narwal Mahabir, "CSR Intiatives of Indian Banking Industry", Social Responsibility Journal, Vol.13, (4), pp.49-60 (2007).

11. Eliza Sharma, Mukta Mani, " CSR: An Analysis of Indian Commercial Banks", AIMA Journal of management and research, Vol.7,(2013)

12. Reserve Bank of India Notification 2007: CSR in Indian Banks, CSR. Sistainable Development and Non-Financial Reporting- Role of Banks. RBI/2007-08/216.

13.Kothari CR (1985), Quantitative Techniques, Vikas Publishing House Pvt Ltd., New Delhi.

Signature of the Scholar Signature of the Supervisor